

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Coon Rapids-Bayard Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education
(Before September 2006 Election)**

Mark Thomas	President	2006
Mike Oswald	Vice President	2007
Pat McAlister	Board Member	2006
Larry Nees	Board Member	2007
Roger Tapps	Board Member	2008
Jim Schwaller	Board Member	2008
Allen Schroeder	Board Member	2008

**Board of Education
(After September 2006 Election)**

Roger Tapps	President	2008
Allen Schroeder	Vice President	2008
Pat McAlister	Board Member	2009
Nancy Hagan	Board Member	2009
Jim Schwaller	Board Member	2008
Larry Nees	Board Member	2007
Mike Oswald	Board Member	2007

School Officials

Rich Stoffers	Superintendent	2007
Gail Hopkins	District Secretary	2007
Neu Minnich Comito & Neu and Engel Law Firm	District Attorney	2007
Rick Engel	District Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Coon Rapids-Bayard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Coon Rapids-Bayard Community School District, Coon Rapids, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Coon Rapids-Bayard Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2008 on our consideration of Coon Rapids-Bayard Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required

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parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Coon Rapids-Bayard Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Coon Rapids-Bayard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,185,560 in fiscal year 2006 to \$4,182,912 in fiscal year 2007, while General Fund expenditures increased from \$4,098,932 in fiscal 2006 to \$4,223,827 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$447,141 in fiscal 2006 to \$406,404 in fiscal 2007, a 9.1% decrease from prior year.
- The School Nutrition fund balance decreased 52.7%, or \$12,364, due to an increase in expenses during the year.
- The District's solvency ratio as of June 30, 2007 is 9.5%, down slightly from the previous year's solvency ratio of 10.6%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Coon Rapids-Bayard Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Coon Rapids-Bayard Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Coon Rapids-Bayard Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Coon Rapids-Bayard Community School District Annual Financial Report

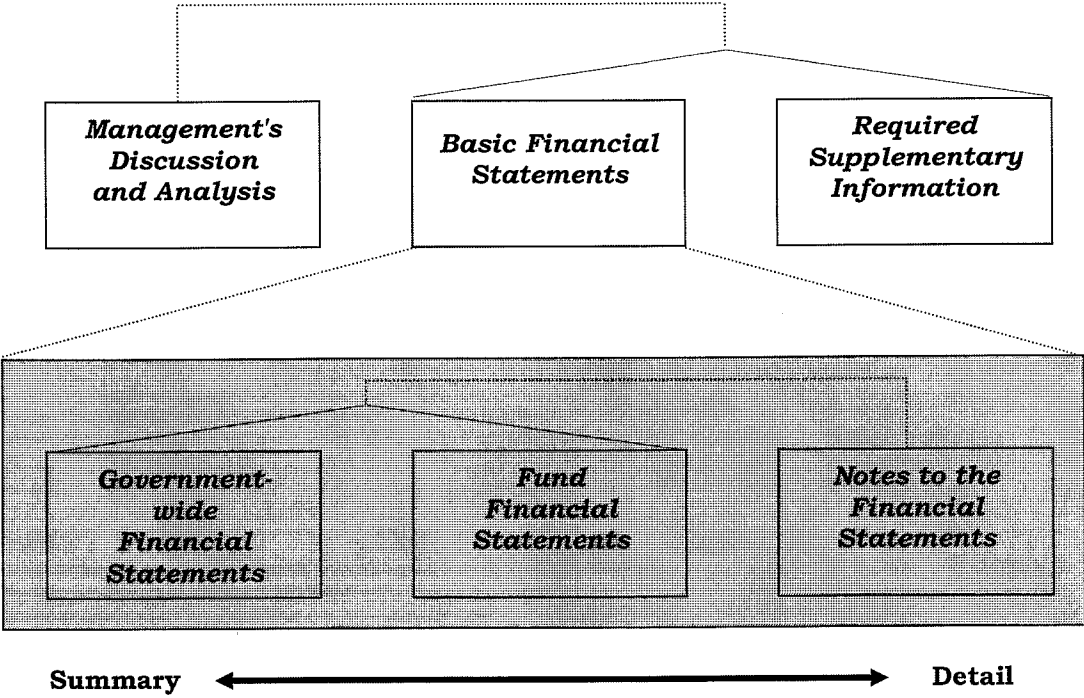


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 3,437,963	3,314,714	10,693	23,096	3,448,656	3,337,810	3.32%
Capital assets	3,494,818	3,509,250	13,471	12,601	3,508,289	3,521,851	-0.39%
Total assets	6,932,781	6,823,964	24,164	35,697	6,956,945	6,859,661	1.42%
Long-term obligations	850,093	999,156	0	0	850,093	999,156	-14.92%
Other liabilities	2,633,949	2,618,714	13,072	12,241	2,647,021	2,630,955	0.61%
Total liabilities	3,484,042	3,617,870	13,072	12,241	3,497,114	3,630,111	-3.66%
Net assets:							
Invested in capital assets, net of related debt	2,684,818	2,576,310	13,471	12,601	2,698,289	2,588,911	4.22%
Restricted	335,255	148,728	0	0	335,255	148,728	125.41%
Unrestricted	428,666	481,056	(2,379)	10,855	426,287	491,911	-13.34%
Total net assets	\$ 3,448,739	3,206,094	11,092	23,456	3,459,831	3,229,550	7.13%

The District's combined net assets increased by 7.13% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 125.41% over the prior year. This dramatic increase is due to a change in the way restricted assets are calculated as compared to the previous year. In previous years, the balance of the Capital Projects Fund as well as the balance of the Debt Service Fund was added

back to the invested in capital assets net of related debt. Beginning this year, the fund balances for these two funds is considered a restricted balance unless the District has construction in progress, then the balance of the bond proceeds construction account would be added back to the invested in capital assets net of related debt.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased 13.34% over the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared net assets for the year ended 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 234,784	195,957	112,227	107,771	347,011	303,728	14.25%
Operating grants and contributions and restricted interest	613,907	555,716	111,598	109,911	725,505	665,627	9.00%
Capital grants and contributions and restricted interest	1,615	0	0	0	1,615	0	100.00%
General revenues:							
Property tax	1,813,460	1,781,356	0	0	1,813,460	1,781,356	1.80%
Local option sales and service tax	280,470	144,224	0	0	280,470	144,224	0.00%
Unrestricted state grants	1,880,790	2,026,500	0	0	1,880,790	2,026,500	-7.19%
Other	140,149	114,329	110	131	140,259	114,460	22.54%
Total revenues	4,965,175	4,818,082	223,935	217,813	5,189,110	5,035,895	3.04%
Program expenses:							
Governmental activities:							
Instructional	3,100,991	2,957,172	0	0	3,100,991	2,957,172	4.86%
Support services	1,282,347	1,284,903	0	0	1,282,347	1,284,903	-0.20%
Non-instructional programs	0	0	236,299	220,169	236,299	220,169	7.33%
Other expenses	339,192	342,625	0	0	339,192	342,625	-1.00%
Total expenses	4,722,530	4,584,700	236,299	220,169	4,958,829	4,804,869	3.20%
Change in net assets	242,645	233,382	(12,364)	(2,356)	230,281	231,026	-0.32%
Net assets beginning of year	3,206,094	2,972,712	23,456	25,812	3,229,550	2,998,524	7.70%
Net assets end of year	\$ 3,448,739	3,206,094	11,092	23,456	3,459,831	3,229,550	7.13%

In fiscal 2007, property tax and unrestricted state grants account for 74.40% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were approximately \$5.19 million of which \$4.97 million was for governmental activities and \$0.22 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.04% increase in revenues and a 3.20% increase in expenses. The increase in expenses was related to increases in negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$4,965,175 and expenses were \$4,722,530.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 3,100,991	2,957,172	4.86%	2,401,440	2,352,742	2.07%
Support services	1,282,347	1,284,903	-0.20%	1,282,347	1,284,903	-0.20%
Other expenses	339,192	342,625	-1.00%	188,437	195,382	-3.55%
Totals	<u>\$ 4,722,530</u>	<u>4,584,700</u>	<u>3.01%</u>	<u>3,872,224</u>	<u>3,833,027</u>	<u>1.02%</u>

- The cost financed by users of the District's programs was \$234,784.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$615,522.
- The net cost of governmental activities was financed with \$1,813,460 in property tax, \$280,470 in local option sales and services tax, \$1,880,790 in unrestricted state revenues and \$81,406 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$223,935 and expenses were \$236,299. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Coon Rapids-Bayard Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$722,802, above last year's ending fund balances of \$622,151. However, the primary reason for the increase is due to the increased fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position changed from \$447,141 to \$406,404. This was due to increases in negotiated salaries and benefits for District employees. Expenditures for the year only increased \$124,895, while revenues decreased \$2,648.
- The District continued receiving local option sales and service tax from Audubon and Greene County and is now receiving from Guthrie and Carroll Counties. The additional revenues seen

by the fund from Guthrie and Carroll Counties allowed the Capital Projects Fund to increase from a balance of \$4,494 for fiscal 2006 to a balance of \$136,002 for fiscal 2007.

- The Special Revenue, Physical Plant and Equipment Levy Fund balance increased to \$29,536 as compared to \$19,810 from the prior year. This is the result of a decrease in expenditures for the year.

Proprietary Funds Highlights

The School Nutrition Fund net assets decreased from \$23,456 at June 30, 2006 to \$11,092 at June 30, 2007, representing a decrease of 52.7%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$5,641 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$3.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$188,383.

The original cost of the District's capital assets was \$6,633,630. Governmental funds account for \$6,583,965 with the remainder of \$49,665 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$104,866 at June 30, 2006 compared to \$178,638 at June 30, 2007. The increase was the result of the District purchasing a new bus and mower during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 162,873	162,873	0	0	162,873	162,873	0.00%
Buildings	2,738,434	2,791,627	0	0	2,738,434	2,791,627	-1.94%
Improvements other than buildings	428,344	462,485	0	0	428,344	462,485	-7.97%
Machinery and equipment	165,167	92,265	13,471	12,601	178,638	104,866	41.30%
Total	\$ 3,494,818	3,509,250	13,471	12,601	3,508,289	3,521,851	-0.39%

Long-Term Debt

At June 30, 2007, the District had \$850,093 in other long-term debt outstanding. This represents a decrease of 14.9% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

At year-end, the District had total capital loan notes payable from the Special Revenue, Physical Plant and Equipment Levy of \$810,000.

Compensated absences decreased 5.3% from the prior year to an ending balance of \$40,093.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
Capital loan notes	\$ 810,000	950,000	-14.7%
Early retirement	0	11,097	-100.0%
Compensated absences	40,093	38,059	5.3%
Totals	\$ 850,093	999,156	-14.9%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- September 2007 certified enrollment had a drop of 20.4 students, unlike the previous year that only had a decrease of 0.8 students.
- Forecasts for higher utility costs and gas/diesel fuel in the fall and winter of 2008 will require constant monitoring. Fluctuations of great magnitude in utility costs and gas/diesel fuel will negatively impact the General Fund budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gail Hopkins, District Board Secretary, Coon Rapids-Bayard Community School District, 906 North Street, P.O. Box 297, Coon Rapids, Iowa, 50068-0297.

BASIC FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments			
ISCAP (Note 4)	\$ 436,883	0	436,883
Other	1,035,460	9,560	1,045,020
Receivables:			
Property tax:			
Delinquent	28,703	0	28,703
Succeeding year	1,701,786	0	1,701,786
Income surtax	84,120	0	84,120
Accounts	12,748	0	12,748
Accrued interest:			
ISCAP (Note 4)	13,866	0	13,866
Due from other governments	124,397	0	124,397
Inventories	0	1,133	1,133
Capital assets, net of accumulated depreciation (Note 5)	3,494,818	13,471	3,508,289
Total Assets	6,932,781	24,164	6,956,945
Liabilities			
Accounts payable	83,404	0	83,404
Salaries and benefits payable	394,603	9,271	403,874
Accrued interest payable	2,908	0	2,908
ISCAP warrants payable (Note 4)	438,000	0	438,000
ISCAP accrued interest payable (Note 4)	8,380	0	8,380
ISCAP premiums payable	1,413	0	1,413
Deferred revenue:			
Succeeding year property tax	1,701,786	0	1,701,786
Other	3,455	0	3,455
Unearned revenue	0	3,801	3,801
Long-term liabilities (Note 6):			
Portion due within one year:			
Capital loan notes payable	145,000	0	145,000
Compensated absences payable	40,093	0	40,093
Portion due after one year:			
Capital loan notes payable	665,000	0	665,000
Total Liabilities	3,484,042	13,072	3,497,114
Net Assets			
Invested in capital assets, net of related debt	2,684,818	13,471	2,698,289
Restricted for:			
Salary improvement program	4,824	0	4,824
Additional teacher contract day	1,348	0	1,348
Professional development	768	0	768
Market factor	3,742	0	3,742
Early intervention	8,175	0	8,175
Management levy	71,357	0	71,357
Physical plant and equipment levy	29,536	0	29,536
Capital projects	136,002	0	136,002
Debt service	622	0	622
Other special revenue purposes	78,881	0	78,881
Unrestricted	428,666	(2,379)	426,287
Total Net Assets	\$ 3,448,739	11,092	3,459,831

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Contributions and Restricted Services	Contributions and Restricted Interest	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,995,561	56,315	417,548	0	(1,521,698)	0	(1,521,698)
Special instruction	491,232	23,311	26,246	0	(441,675)	0	(441,675)
Other instruction	614,198	155,158	20,973	0	(438,067)	0	(438,067)
	<u>3,100,991</u>	<u>234,784</u>	<u>464,767</u>	<u>0</u>	<u>(2,401,440)</u>	<u>0</u>	<u>(2,401,440)</u>
Support services:							
Student services	120,087	0	0	0	(120,087)	0	(120,087)
Instructional staff services	149,004	0	0	0	(149,004)	0	(149,004)
Administration services	466,886	0	0	0	(466,886)	0	(466,886)
Operation and maintenance of plant services	357,120	0	0	0	(357,120)	0	(357,120)
Transportation services	189,250	0	0	0	(189,250)	0	(189,250)
	<u>1,282,347</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,282,347)</u>	<u>0</u>	<u>(1,282,347)</u>
Other expenditures:							
Facilities acquisitions	34,693	0	0	1,615	(33,078)	0	(33,078)
Long-term debt interest	40,433	0	0	0	(40,433)	0	(40,433)
AEA flowthrough	149,140	0	149,140	0	0	0	0
Depreciation(unallocated)*	114,926	0	0	0	(114,926)	0	(114,926)
	<u>339,192</u>	<u>0</u>	<u>149,140</u>	<u>1,615</u>	<u>(188,437)</u>	<u>0</u>	<u>(188,437)</u>
Total governmental activities	4,722,530	234,784	613,907	1,615	(3,872,224)	0	(3,872,224)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	236,299	112,227	111,598	0	0	(12,474)	(12,474)
Total business-type activities	<u>236,299</u>	<u>112,227</u>	<u>111,598</u>	<u>0</u>	<u>0</u>	<u>(12,474)</u>	<u>(12,474)</u>
Total	<u>\$ 4,958,829</u>	<u>347,011</u>	<u>725,505</u>	<u>1,615</u>	<u>(3,872,224)</u>	<u>(12,474)</u>	<u>(3,884,698)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,589,275	0	1,589,275
Capital outlay					224,185	0	224,185
Local option sales and services tax					280,470	0	280,470
Unrestricted state grants					1,880,790	0	1,880,790
Unrestricted investment earnings					81,406	110	81,516
Gain on sale of equipment					178	0	178
Other					58,565	0	58,565
Total general revenues					<u>4,114,869</u>	<u>110</u>	<u>4,114,979</u>
Changes in net assets					242,645	(12,364)	230,281
Net assets beginning of year					<u>3,206,094</u>	<u>23,456</u>	<u>3,229,550</u>
Net assets end of year					<u>\$ 3,448,739</u>	<u>11,092</u>	<u>3,459,831</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments:			
ISCAP (Note 4)	\$ 436,883	0	436,883
Other	769,540	265,920	1,035,460
Receivables:			
Property tax			
Delinquent	24,222	4,481	28,703
Succeeding year	1,397,096	304,690	1,701,786
Income surtax	84,120	0	84,120
Accounts	12,446	302	12,748
Accrued interest:			
ISCAP (Note 4)	13,866	0	13,866
Due from other governments	62,495	61,902	124,397
Total Assets	\$ 2,800,668	637,295	3,437,963
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 67,197	16,207	83,404
Salaries and benefits payable	394,603	0	394,603
ISCAP warrants payable (Note 4)	438,000	0	438,000
ISCAP accrued interest payable (Note 4)	8,380	0	8,380
ISCAP premiums payable	1,413	0	1,413
Deferred revenue:			
Succeeding year property tax	1,397,096	304,690	1,701,786
Income surtax	84,120	0	84,120
Other	3,455	0	3,455
Total liabilities	2,394,264	320,897	2,715,161
Fund balances:			
Reserved for:			
Salary improvement program	4,824	0	4,824
Additional teacher contract day	1,348	0	1,348
Professional development	768	0	768
Market factor	3,742	0	3,742
Early intervention	8,175	0	8,175
Debt service	0	622	622
Unreserved	398,229	315,776	714,005
Total fund balances	406,404	316,398	722,802
Total Liabilities and Fund Balances	\$ 2,800,668	637,295	3,437,963

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 722,802
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	3,494,818
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	84,120
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,908)
Long-term liabilities including notes payable, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(850,093)
Net assets of governmental activites (page 13)	<u><u>\$ 3,448,739</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,512,388	574,646	2,087,034
Tuition	52,897	0	52,897
Other	153,718	200,333	354,051
Intermediate sources	5,156	0	5,156
State sources	2,269,907	210	2,270,117
Federal sources	188,846	0	188,846
Total revenues	4,182,912	775,189	4,958,101
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	1,969,258	8,194	1,977,452
Special instruction	491,232	0	491,232
Other instruction	417,862	184,298	602,160
	2,878,352	192,492	3,070,844
Support services:			
Student services	120,087	0	120,087
Instructional staff services	149,004	0	149,004
Administration services	432,044	34,842	466,886
Operation and maintenance of plant services	344,391	22,433	366,824
Transportation services	150,809	140,849	291,658
	1,196,335	198,124	1,394,459
Other expenditures:			
Facilities acquisitions	0	62,285	62,285
Long-term debt:			
Principal	0	140,000	140,000
Interest	0	40,900	40,900
AEA flowthrough	149,140	0	149,140
	149,140	243,185	392,325
Total expenditures	4,223,827	633,801	4,857,628
Excess(deficiency) of revenues over(under) expenditures	(40,915)	141,388	100,473
Other financing sources(uses):			
Transfer in	0	180,500	180,500
Transfer out	0	(180,500)	(180,500)
Sale of equipment	178	0	178
Total other financing sources(uses)	178	0	178
Net change in fund balances	(40,737)	141,388	100,651
Fund balance beginning of year	447,141	175,010	622,151
Fund balance end of year	\$ 406,404	316,398	722,802

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 100,651

***Amounts reported for governmental activities in the
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital expenditures in the current year, as follows:

Capital expenditures	\$ 170,934	
Depreciation expense	(185,366)	(14,432)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		6,896
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ 11,097	
Compensated absences	(2,034)	9,063

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		140,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Changes in net assets of governmental activities (page 14)		\$ 242,645
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SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2007

	<u>School Nutrition</u>
Assets	
Current assets:	
Cash and pooled investments	\$ 9,560
Inventories	1,133
Capital assets, net of accumulated depreciation (Note 5)	<u>13,471</u>
Total Assets	<u>24,164</u>
Liabilities	
Salary and benefits payable	9,271
Unearned revenue	<u>3,801</u>
Total Liabilities	<u>13,072</u>
Net Assets	
Invested in capital assets	13,471
Unrestricted	<u>(2,379)</u>
Total Net Assets	<u><u>\$ 11,092</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 112,227
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	78,773
Benefits	17,270
Services	4,975
Supplies	132,264
Depreciation	3,017
TOTAL OPERATING EXPENSES	<u>236,299</u>
OPERATING LOSS	<u>(124,072)</u>
NON-OPERATING REVENUES:	
State sources	2,863
Federal sources	108,735
Interest income	110
TOTAL NON-OPERATING REVENUES	<u>111,708</u>
Changes in net assets	(12,364)
Net assets beginning of year	<u>23,456</u>
Net assets end of year	<u>\$ 11,092</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 104,275
Cash received from miscellaneous operating activities	8,236
Cash payments to employees for services	(95,496)
Cash payments to suppliers for goods or services	(126,615)
Net cash used in operating activities	<u>(109,600)</u>
Cash flows from non-capital financing activities:	
State grants received	2,863
Federal grants received	98,394
Net cash provided by non-capital financing activities	<u>101,257</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	<u>(3,887)</u>
Cash flows from investing activities:	
Interest on investment	<u>110</u>
Net decrease in cash and cash equivalents	(12,120)
Cash and cash equivalents at beginning of year	<u>21,680</u>
Cash and cash equivalents at end of year	<u>\$ 9,560</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (124,072)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	10,341
Depreciation	3,017
Decrease in inventories	283
Increase in salaries and benefits payable	547
Increase in unearned revenue	284
Net cash used in operating activities	<u>\$ (109,600)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and investments	<u>\$ 9,560</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$10,341.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 1,859</u>
Liabilities	
Due to other groups	<u>\$ 1,859</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Coon Rapids-Bayard Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Coon Rapids and Bayard, Iowa, and the predominate agricultural territory in a portion of Audubon, Carroll, Greene and Guthrie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Coon Rapids-Bayard Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Coon Rapids-Bayard Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Audubon, Carroll, Greene and Guthrie County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District's proprietary fund is the School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	10,000
Land improvements	10,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District's has no investments as of June 30, 2007.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ 180,500

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07B	1/26/07	1/25/08	\$ 436,883	9,860	438,000	8,380
2007-08A	6/27/07	6/27/08	0	4,006	0	0
Total			\$ 436,883	13,866	438,000	8,380

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. For the year ended June 30, 2007, there was no advance ISCAP activity.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 162,873	0	0	162,873
Total capital assets not being depreciated	162,873	0	0	162,873
Capital assets being depreciated:				
Buildings	4,903,339	27,592	0	4,930,931
Land improvements	682,799	0	0	682,799
Machinery and equipment	753,503	143,342	89,483	807,362
Total capital assets being depreciated	6,339,641	170,934	89,483	6,421,092
Less accumulated depreciation for:				
Buildings	2,111,712	80,785	0	2,192,497
Land improvements	220,314	34,141	0	254,455
Machinery and equipment	661,238	70,440	89,483	642,195
Total accumulated depreciation	2,993,264	185,366	89,483	3,089,147
Total capital assets being depreciated, net	3,346,377	(14,432)	0	3,331,945
Governmental activities capital assets, net	\$ 3,509,250	(14,432)	0	3,494,818

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 45,778	3,887	0	49,665
Less accumulated depreciation	33,177	3,017	0	36,194
Business-type activities capital assets, net	\$ 12,601	870	0	13,471

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 24,269
Other	12,038
Support services:	
Operation and maintenance of plant	2,425
Transportation	31,708
Unallocated depreciation	70,440
Total governmental activities depreciation expense	114,926
Business-type activities:	
Food services	\$ 3,017

(6) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital loan notes	\$ 950,000	0	140,000	810,000	145,000
Early retirement	11,097	0	11,097	0	0
Compensated absences	38,059	40,093	38,059	40,093	40,093
Total	\$ 999,156	40,093	189,156	850,093	185,093

Capital Loan Notes Payable

The District issued \$400,000 of capital loan notes during the year ended June 30, 2000, for a fitness center and issued \$1,240,000 of capital loan notes during the year ended June 30, 2002 to finance a construction project. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates		Principal	Interest	Total
2008	4.10	% \$	145,000	34,900	179,900
2009	4.20		160,000	28,955	188,955
2010	4.30		160,000	22,235	182,235
2011	4.40		170,000	15,355	185,355
2012	4.50		175,000	7,875	182,875
Total			\$ 810,000	109,320	919,320

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of credited service, at least ten years of which have been in the employment of Coon Rapids-Bayard Community School District. Employees must complete an application which is subject to be approval by the Board of Education. Early retirement incentives are based on the certified employee's salary schedule payment for the last year of service and the number of years of credited services. Early retirement benefits paid during the year ended June 30, 2007, totaled \$11,097. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a

publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$150,264, \$145,738 and \$136,726 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$149,140 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(10) Deficit Fund Balance/Net Assets

At the year ended June 30, 2007, the Nutrition Fund had deficit unrestricted net assets of \$2,379.

REQUIRED SUPPLEMENTARY INFORMATION

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,493,982	112,337	2,606,319	2,544,145	2,544,145	62,174
Intermediate sources	5,156	0	5,156	0	0	5,156
State sources	2,270,117	2,863	2,272,980	2,347,250	2,347,250	(74,270)
Federal sources	188,846	108,735	297,581	285,000	285,000	12,581
Total revenues	4,958,101	223,935	5,182,036	5,176,395	5,176,395	5,641
Expenditures:						
Instruction	3,070,844	0	3,070,844	3,475,231	3,475,231	404,387
Support services	1,394,459	0	1,394,459	1,522,000	1,522,000	127,541
Non-instructional programs	0	236,299	236,299	276,012	276,012	39,713
Other expenditures	392,325	0	392,325	685,003	685,003	292,678
Total expenditures	4,857,628	236,299	5,093,927	5,958,246	5,958,246	864,319
Excess(deficiency) of revenues over(under) expenditures	100,473	(12,364)	88,109	(781,851)	(781,851)	869,960
Other financing sources, net	178	0	178	0	0	178
Excess(deficiency) of revenues and other financing sources over(under) expenditures	100,651	(12,364)	88,287	(781,851)	(781,851)	870,138
Balance beginning of year	622,151	23,456	645,607	781,851	781,851	(136,244)
Balance end of year	\$ 722,802	11,092	733,894	0	0	733,894

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Special Revenue Funds						
	Physical						Total
	Manage-	Plant &	Student	Special	Capital	Debt	Nonmajor
	ment	Equipment	Activity	Revenue	Projects	Service	Governmental
	Levy	Levy					Funds
Assets							
Cash and pooled investments	\$ 70,160	34,647	86,391	191,198	74,100	622	265,920
Receivables:							
Property tax:							
Current year delinquent	1,197	3,284	0	4,481	0	0	4,481
Succeeding year	75,000	229,690	0	304,690	0	0	304,690
Accounts	0	0	302	302	0	0	302
Due from other governments	0	0	0	0	61,902	0	61,902
Total Assets	\$ 146,357	267,621	86,693	500,671	136,002	622	637,295
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 0	8,395	7,812	16,207	0	0	16,207
Deferred revenue:							
Succeeding year property tax	75,000	229,690	0	304,690	0	0	304,690
Total liabilities	75,000	238,085	7,812	320,897	0	0	320,897
Fund balances:							
Reserved:							
Debt service	0	0	0	0	0	622	622
Unreserved	71,357	29,536	78,881	179,774	136,002	0	315,776
Total fund balances	71,357	29,536	78,881	179,774	136,002	622	316,398
Total Liabilities and Fund Balances	\$ 146,357	267,621	86,693	500,671	136,002	622	637,295

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds						Total
	Physical		Total				Other
	Manage-	Plant and	Special	Capital	Debt	Nonmajor	
	ment	Equipment	Revenue	Projects	Service	Governmental	
	Levy	Levy	Funds			Funds	
REVENUES:							
Local sources:							
Local tax	\$ 69,991	224,185	0	294,176	280,470	0	574,646
Other	8,354	8,526	181,159	198,039	1,897	397	200,333
State sources	56	154	0	210	0	0	210
TOTAL REVENUES	78,401	232,865	181,159	492,425	282,367	397	775,189
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	8,194	0	0	8,194	0	0	8,194
Other instruction	0	0	184,298	184,298	0	0	184,298
Support services:							
Administration services	34,842	0	0	34,842	0	0	34,842
Operation and maintenance of plant services	22,433	0	0	22,433	0	0	22,433
Transportation services	9,636	0	0	9,636	131,213	0	140,849
Other expenditures:							
Facilities acquisitions	0	42,639	0	42,639	19,646	0	62,285
Long-term debt:							
Principal	0	0	0	0	0	140,000	140,000
Interest and fiscal charges	0	0	0	0	0	40,900	40,900
TOTAL EXPENDITURES	75,105	42,639	184,298	302,042	150,859	180,900	633,801
Excess(deficiency) of revenues over(under) expenditures	3,296	190,226	(3,139)	190,383	131,508	(180,503)	141,388
OTHER FINANCING SOURCES(USES):							
Transfer in	0	0	0	0	0	180,500	180,500
Transfer out	0	(180,500)	0	(180,500)	0	0	(180,500)
TOTAL OTHER FINANCING SOURCES(USES)	0	(180,500)	0	(180,500)	0	180,500	0
Excess(deficiency) of revenues and other financing sources over(under) expenditures	3,296	9,726	(3,139)	9,883	131,508	(3)	141,388
FUND BALANCES BEGINNING OF YEAR	68,061	19,810	82,020	169,891	4,494	625	175,010
FUND BALANCES END OF YEAR	\$ 71,357	29,536	78,881	179,774	136,002	622	316,398

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Co-Ed athletics	\$ 980	50,069	51,049	0
Interest on investments	5,875	5,028	10,229	674
RIF club	1,660	425	459	1,626
Technology club	162	13	0	175
Elementary club	4,698	4,127	5,953	2,872
MS track	46	1,169	1,106	109
MS girls basketball	370	174	16	528
MS cheerleaders	99	7	0	106
MS concessions	1,716	3	0	1,719
MS club	1,485	1,861	2,149	1,197
MS student council	337	153	91	399
Drama and speech	2,458	761	1,122	2,097
Cross country	40	201	197	44
Boys basketball	348	2,467	1,360	1,455
Football	1,406	441	1,644	203
Baseball	379	6,445	6,824	0
Boys track	289	1,056	1,252	93
Boys golf	(47)	47	0	0
Wrestling club	3,430	4,306	4,388	3,348
Wrestling	(341)	581	0	240
Girls basketball	457	2,145	2,602	0
Girls volleyball	707	3,891	3,400	1,198
Softball	722	2,767	3,318	171
Girls golf	717	310	598	429
Art club	769	61	0	830
Pepsi products	4,738	15,152	13,220	6,670
Cheerleaders	912	2,112	2,341	683
Concessions	1,613	12,992	13,397	1,208
FFA	5,005	25,169	21,934	8,240
FCCLA	504	796	405	895
YSO	124	10	0	134
National honor society	52	120	111	61
FCA	5	0	0	5
Class of 2005	704	0	704	0
Class of 2006	1,342	13	1,296	59
Class of 2007	2,418	66	1,283	1,201
Class of 2008	1,352	7,760	6,442	2,670
Class of 2009	59	5,170	5,022	207
Class of 2010	0	130	40	90
Student agendas	216	225	0	441
Sign fund	3,627	5,349	8,224	752
Spanish club	11,822	837	0	12,659
Student council	5,564	6,384	4,820	7,128
Band trip	2,852	3,679	1,324	5,207
Yearbook	9,484	6,521	5,207	10,798
Phone card	198	26	0	224
Flags/winterguard	667	140	771	36
Total	\$ 82,020	181,159	184,298	78,881

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30			
		2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$	2,087,034	1,925,580	1,915,144	1,918,584
Tuition		52,897	12,394	20,427	18,031
Other		354,051	331,079	316,508	325,357
Intermediate sources		5,156	0	0	6,492
State sources		2,270,117	2,375,501	2,131,334	1,960,238
Federal sources		188,846	172,828	202,996	328,065
Total	\$	4,958,101	4,817,382	4,586,409	4,556,767
Expenditures:					
Instruction:					
Regular instruction	\$	1,977,452	1,886,311	1,858,393	1,741,905
Special instruction		491,232	585,131	447,281	655,031
Other instruction		602,160	457,905	545,605	438,463
Support services:					
Student services		120,087	98,707	150,235	122,554
Instructional staff services		149,004	116,982	129,518	146,768
Administration services		466,886	515,935	474,805	436,758
Operation and maintenance of plant services		366,824	369,362	354,057	358,371
Transportation services		291,658	178,054	155,619	160,239
Non-instructional programs		0	0	2,570	0
Other expenditures:					
Facilities acquisition		62,285	203,942	124,560	293,538
Long-term debt:					
Principal		140,000	135,000	130,000	125,000
Interest		40,900	45,563	51,925	56,838
AEA flowthrough		149,140	147,243	143,502	145,759
Total	\$	4,857,628	4,740,135	4,568,070	4,681,224

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Coon Rapids-Bayard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Coon Rapids-Bayard Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coon Rapids-Bayard Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Coon Rapids-Bayard Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Coon Rapids-Bayard Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Coon Rapids-Bayard Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Coon Rapids-Bayard Community School District's financial statements that is more than inconsequential will not be prevented or detected by Coon Rapids-Bayard Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the General Purpose Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Coon Rapids-Bayard Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coon Rapids-Bayard Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Coon Rapids-Bayard Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Coon Rapids-Bayard Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Coon Rapids-Bayard Community School District and other parties to whom Coon Rapids-Bayard Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Coon Rapids-Bayard Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2008

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Segregation of duties will be reviewed and modifications made, if possible.

Conclusion - Response accepted.

I-B-07 Gate Admissions - Pre-numbered tickets are not being used for all performances and athletic events held on District grounds.

Recommendation - The District should adopt a Board policy addressing internal control procedures for handling cash for all performances and athletic events. The policy, at a minimum, should include the following:

- a. Change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in ticket sales/cash collecting process. The individuals responsible for ticket sales/cash collecting during the event should be instructed not to leave the change box unattended under any circumstances.
- d. Upon completion of the event, cash should be reconciled by two or more individuals to the number of pre-numbered tickets sold during the event and the amount of beginning cash in the change box.
- e. To reconcile, the next unsold ticket minus the beginning ticket number determines the actual number of tickets sold. The number of tickets sold times the price per ticket equals total sales. Total sales compared to total collections should reconcile. Variances, if any, should be small
- f. A reconciliation sheet should be completed and signed off on by all individuals responsible for counting and reconciling cash.
- g. The change box should be turned into the Activity Director or designee responsible for the accounting function at the event.

- h. The Activity Director or designee should be required to either take to the night deposit at the bank or lock the event proceeds in the District's vault until a deposit can be made the following business day.
- i. A pre-numbered receipt should be written by an individual in the Business Office the next day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically test or review the gate admissions process to ensure that the adopted procedures are being followed properly.
- k. Segregation of duties should be maintained as much as possible throughout the gate admissions process.

Response - Gate admission procedures will be reviewed and modifications made, if possible.

Conclusion - Response accepted.

I-C-07 Student Activity Funds - During our audit, we noted that Target and Box Tops donations were being receipted into the Student Activity Fund.

Recommendation -Box Tops and Target donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General fund for use in all instructional supplies/services.

Response - Recommendation is accepted and changes will be made immediately.

Conclusion - Response accepted.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kevin Reis, Coach Owns Reis Lawncare	Purchased services	\$2,155
Jon Esdohr, Coach	Purchased services	\$262
Nancy Hagan, Board Member Substitute teacher	Purchased services	\$1,035

In accordance with Attorney General's Opinion dated July 2, 1990 the above transactions with the coaches do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with the Board Member does not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-07 Financial Condition - At the year ended June 30, 2007, the Nutrition Fund had deficit unrestricted net assets of \$2,379.

Recommendation - The District should monitor this fund and investigate ways to eliminate the deficit.

Response - We will monitor this fund more closely and by the end of the next fiscal year the deficit will be eliminated.

Conclusion - Response accepted.

II-K-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - Recommendation is accepted and changes will be made immediately with the cooperation of the bank.

Conclusion - Response accepted.